



April 10, 2023

SUMMARY OF BILL: Establishes that for FY23-24, the state employer 401(k) match equals 200 percent of the amount contributed by each state employee to the plan per month, up to a maximum of \$100 per month. In subsequent fiscal years, such employer match reverts to 100 percent, up to a maximum of \$50 per month.

FISCAL IMPACT:

Increase State Expenditures - \$34,930,700/FY23-24

The Governor's proposed budget for FY23-24, on page B-25, recognizes a non-recurring appropriation of \$35,735,300 to double the state match to employee 401(k) accounts.

Assumptions:

- Pursuant to Tenn. Code Ann. § 8-25-303(a)(1), the state employer 401(k) match equals 100 percent of the amount contributed by each employee to the plan per month, up to a maximum of \$50 per month, or alternatively, upon to a higher maximum that may prescribed in the annual General Appropriations Act.
- Public Chapter 1131 of 2022 increased the state match to 200 percent of the contributed amount, up to a maximum of \$100 per month, but only for FY22-23. The state match is to return to 100 percent in FY23-24 and subsequent years.
- This legislation will result in a significant one-time increase in one-time expenditures in FY23-24 for the higher employer match contribution provided in this legislation.
- According to the Department of Treasury, there were 60,640 total participants in the state's 401(k) plan as of December 2022 that have an employee contribution. There are 2,850 participants that contribute less than \$50 per month.
- It is assumed that 57,790 (60,640 – 2,850) contribute or will contribute \$50 per month to receive the maximum match from the state. The increase in state expenditures is estimated to be \$50 per employee per month (\$100 new match - \$50 current match). The proposed legislation will result in a one-time increase in state expenditures of \$34,674,000 (57,790 participants x \$50 per month x 12 months).
- In addition, it is assumed that some employees that are currently contributing under the current maximum \$50 match will be incentivized to increase their contribution due to the enhanced match.

- The number of employees currently contributing less than \$50 per month is estimated to be 2,850. The average contribution of such employees is currently unknown, but is assumed to be \$35. It is assumed that 25 percent of such employees, or 713 (2,850 x 25%), will increase their contributions to \$50 due to the proposed enhanced state match. The additional increase in state expenditures, not accounted in the \$34,674,000 figure above, is estimated to be \$30 per employee per month, as the \$15 increase in employee contributions (\$50 - \$35) will be matched at a 200 percent rate. The one-time increase in state expenditures in FY23-24 is estimated to be \$256,680 (713 x \$30 x 12).
- It is assumed that the proposed legislation will not incentivize any non-participating employees to commence participation in the program.
- The total one-time increase in state expenditures in FY23-24 is estimated to be \$34,930,680 (\$34,674,000 + \$256,680).
- The Governor's proposed budget for FY23-24, on page B-25, recognizes a non-recurring appropriation of \$35,735,300 to double the state match to employee 401(k) accounts.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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